

**FINANCIAL REPORT
EVANGELINE TOWNSHIP
March 31, 2005**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Evangeline Township	County Charlevoix
Audit Date 3/31/05	Opinion Date 10/21/05	Date Accountant Report Submitted to State: 11/18/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

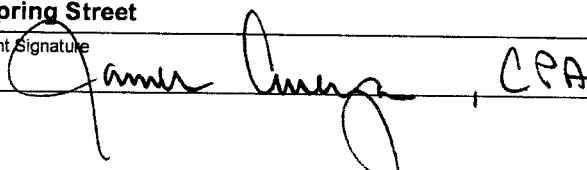
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hill, Schroderus & Co., LLP			
Street Address 923 Spring Street		City Petoskey	State MI
Accountant Signature 		ZIP Code 49770	Date 11/17/05

**EVANGELINE TOWNSHIP
FINANCIAL REPORT
March 31, 2005**

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Hill • Schroderus & Co., LLP

Certified Public Accountants & Consultants

October 21, 2005

Independent Auditors' Report

Township Board
Evangeline Township, Michigan
Emmet County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Evangeline Township, Michigan ("the Township"), as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Evangeline Township, as of March 31, 2005, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hill, Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

Management's Discussion and Analysis

Overview of the Basic Financial Statements

Evangeline Township's ("the Township") basic financial statements include government-wide statement, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements. Because this is the first year of implementation of GASB Statement No. 34, prior year numbers are not presented within the Management's Discussion and Analysis. A comparative analysis will be provided in future years when prior year information is available.

Government-wide Financial Statements

The government-wide financial statements report information on all of the Township's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the Township's assets and liabilities, with the difference reported as net assets. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Township (general government, public safety, public works, etc.), which are supported by the Township's general revenues (property taxes, state shared revenues, etc.).

Fund Financial Statements

The fund financial statements report on the governmental funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds. The focus of the fund financial statements is on the sources and uses of funds during the current year.

The fiduciary fund is also presented, separate from the governmental funds, due to the fact that these assets do not represent assets of the Township. These assets are not presented as part of the Government-wide financial statements.

Evangeline Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for all these funds which are considered major funds

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The table below summarizes the Township's net assets as of March 31, 2005:

**Evaneline Township
March 31, 2005**

	<u>Governmental Activities</u>
Assets	
Current and other assets	\$ 469,999
Capital assets - net of accum. dep.	<u>97,040</u>
Total assets	<u>567,039</u>
Liabilities	
Current liabilities	102,724
Noncurrent liabilities	<u>29,943</u>
Total liabilities	<u>132,667</u>
Net Assets	
Investment in capital assets, net of related debt	97,040
Restricted	59,181
Unrestricted	<u>278,151</u>
Total net assets	<u><u>\$ 434,372</u></u>

At the end of the fiscal year, Evangeline Township is able to report positive balances in all three categories of net assets. The first portion of the Township's net assets is its investment in capital assets (buildings & building improvements, furniture & equipment and land improvements) less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets in providing services; consequently, these assets are not available for future spending.

The second portion of net assets, restricted net assets, represents resources that are subject to external restrictions on how they may be used. This would include restrictions for fire operations, and debt service expenses.

The remaining portion of net assets, unrestricted net assets, may be used at the Township's discretion to meet ongoing obligations.

The results for the Township as a whole are reported in the Statement of Activities, which is summarized below:

**Evangeline Township
Year Ended March 31, 2005**

	<u>Governmental Activities</u>
Revenue	
Program revenue:	
Charges for services	\$ 6,590
General revenue:	
Property taxes	213,675
State shared revenues	54,703
Special assessments	26,125
Interest and rentals	7,025
Other	1,550
	<hr/>
Total revenues	309,668
	<hr/>
Function/Program Expenses	
General government	74,761
Public safety	33,936
Public works	92,259
Health and welfare	675
Community and economic development	22,921
Recreation and cultural	2,005
Interest on long-term debt	3,275
Depreciation (unallocated)	12,009
	<hr/>
Total expenses	241,841
	<hr/>
Change in net assets	67,827
	<hr/>
Net assets - beginning of year	366,545
	<hr/>
Net assets - end of year	<u>\$ 434,372</u>

As reported above, the Township recorded \$241,841 of expenses. The Township's activities were funded primarily with property tax revenues. State shared revenues, special assessments, interest, and zoning charges for services were other notable revenue sources.

The Township experienced an increase in net assets of \$67,827. Road revenues exceeded current year expenses by about \$30,000.

Fund Financial Analysis

As of year-end, the governmental funds reported a combined fund balance of approximately \$370,000, which is \$37,000 more than the beginning of the year. The increase was mainly due to General Fund revenues exceeding expenditures by about \$23,000, Road Fund property tax revenues in excess of current year expenditures of about \$30,000 less debt service payments in excess of property taxes of \$16,000.

General Fund Budgetary Highlights

Final budgeted amounts approximated original budget amounts.

Actual revenues were \$32,000 more than the final budgeted amounts. Property taxes were \$23,000 more than budgeted and state revenues were \$15,000 higher than budgeted. Zoning fee revenues were approximately \$8,000 lower than budgeted. Actual expenditures were \$57,000 lower than the final budgeted amounts. Roadwork was \$20,000 less than budgeted and planning and zoning expenditures were \$27,000 less than budgeted. Numerous other expenditure accounts were also under budget by smaller amounts.

Capital Assets

At March 31, 2005, the Township had \$97,040 invested in capital assets. The following table summarizes the capital asset activity for the year:

Evangeline Township Year Ended March 31, 2005

	April 1, 2004	Additions	Disposals	March 31, 2005
Buildings	\$ 65,425	\$ -	\$ -	\$ 65,425
Building improvements	89,138	-	-	89,138
Furniture and equipment	23,992	1,191	-	25,183
Land improvements	58,426	-	-	58,426
Total capital assets	236,981	1,191	-	238,172
Less accum. dep.	129,123	12,009	-	141,132
Net capital assets	<u>\$ 107,858</u>	<u>\$ (10,818)</u>	<u>\$ -</u>	<u>\$ 97,040</u>

The capital assets addition was a new computer.

Debt Outstanding

At the end of the year, the Township had \$50,000 in bonds and \$22,284 in notes outstanding. Below is the debt activity for the year:

Evangeline Township Year Ended March 31, 2005

	<u>April 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>March 31, 2005</u>
Bonds and notes payable	<u>\$ 112,772</u>	<u>\$ -</u>	<u>\$ 40,488</u>	<u>\$ 72,284</u>

Financial Contact

The Township's financial statements are designed to present users with a general overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Township Clerk or Treasurer, Evangeline Township.

EVANGELINE TOWNSHIP
Statement of Net Assets
March 31, 2005

Assets

**Governmental
Activities**

Current Assets

Cash	\$ 400,410
Taxes receivable	18,218
Special assessment receivable	43,041
Due from other governmental units	8,330
	<hr/>
Total current assets	469,999
	<hr/>

Noncurrent Assets

Capital assets	238,172
Less: accumulated depreciation	(141,132)
	<hr/>
Total noncurrent assets	97,040
	<hr/>
Total assets	<u>\$ 567,039</u>

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 3,320
Accrued expenses	6,324
Accrued interest	1,638
Due to other governmental units	33,936
Refunds payable	15,165
Notes payable, due within one year	17,341
Bonds payable, due within one year	25,000
	<hr/>
Total current liabilities	102,724
	<hr/>

Noncurrent Liabilities

Notes payable, net of current portion	4,943
Bonds payable, net of current portion	25,000
	<hr/>
Total noncurrent liabilities	29,943
	<hr/>
Total liabilities	132,667
	<hr/>

Net Assets

Invested in capital assets, net of related debt	97,040
Restricted for:	
Fire protection	31,543
Debt retirement	27,638
Unrestricted	278,151
	<hr/>
Total net assets	434,372
	<hr/>
Total liabilities and net assets	<u>\$ 567,039</u>

EVANGELINE TOWNSHIP
Statement of Activities
For the Year Ended March 31, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities:					
General government	\$ 74,761	\$ -	\$ -	\$ -	\$ (74,761)
Public safety	33,936	-	-	-	(33,936)
Public works	92,259	-	-	-	(92,259)
Health and welfare	675	-	-	-	(675)
Community and economic development	22,921	6,590	-	-	(16,331)
Recreation and cultural	2,005	-	-	-	(2,005)
Interest on long-term debt	3,275	-	-	-	(3,275)
Unallocated depreciation	12,009	-	-	-	(12,009)
Total primary government	\$ 241,841	\$ 6,590	\$ -	\$ -	(235,251)

General revenues:

Property taxes	213,675
State revenues	54,703
Interest and rentals	7,025
Special assessments	26,125
Other	1,550

Total general revenues

303,078

Change in net assets

67,827

Net assets - beginning of year

366,545

Net assets - end of year

\$ 434,372

EVANGELINE TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Road</u>	<u>Special Assessment Debt</u>	<u>Total Governmental Funds</u>
Cash	\$ 233,737	\$ 125,869	\$ 40,804	\$ 400,410
Taxes receivable	8,561	9,657	-	18,218
Special assessment receivable	-	-	43,041	43,041
Due from other governmental units	8,330	-	-	8,330
Total assets	\$ 250,628	\$ 135,526	\$ 83,845	\$ 469,999
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 3,320	\$ -	\$ -	\$ 3,320
Accrued expenditures	6,324	-	-	6,324
Due to other governmental units	33,936	-	-	33,936
Deferred revenue - special assess.	-	-	41,042	41,042
Refunds payable	-	-	15,165	15,165
Total liabilities	43,580	-	56,207	99,787
Fund balances				
Reserved for:				
Fire protection	31,543	-	-	31,543
Debt service	-	-	27,638	27,638
Unreserved:				
Undesignated	175,505	135,526	-	311,031
Total fund balances	207,048	135,526	27,638	370,212
Total liabilities and fund balances	\$ 250,628	\$ 135,526	\$ 83,845	\$ 469,999

EVANGELINE TOWNSHIP
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Assets
March 31, 2005

Total Fund Balance - Governmental Funds	\$ 370,212
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Amounts reported for governmental activities in the statement of net assets
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of net assets, these assets are capitalized and depreciated
over their estimated useful lives.

Governmental capital assets	238,172
Accumulated depreciation	(141,132)

Governmental funds report interest when due, whereas in the statement of net assets, interest is accrued on outstanding bonds.	(1,638)
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Special assessment receivables not available to pay for current-period expenditures and therefore are deferred in the the governmental funds.	41,042
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(72,284)</u>
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Net Assets of Governmental Activities	<u>\$ 434,372</u>
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EVANGELINE TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2005

	General	Road	Special Assessment Debt	Total Governmental Funds
Revenues				
Taxes	\$ 103,350	\$ 110,325	\$ -	\$ 213,675
State revenues	54,703	-	-	54,703
Charges for services	6,590	-	-	6,590
Interest and rentals	3,543	1,038	2,444	7,025
Special assessments	-	-	26,125	26,125
Other	1,550	-	-	1,550
Total revenues	169,736	111,363	28,569	309,668
Expenditures				
Current:				
General government	73,676	-	-	73,676
Public safety	33,936	-	-	33,936
Public works	11,207	81,052	-	92,259
Health and welfare	675	-	-	675
Community and economic development	22,921	-	-	22,921
Recreation and cultural	2,005	-	-	2,005
Capital outlay	2,276	-	-	2,276
Debt service	-	-	44,557	44,557
Total expenditures	146,696	81,052	44,557	272,305
Net change in fund balances	23,040	30,311	(15,988)	37,363
Fund balances - beginning of year	184,008	105,215	43,626	332,849
Fund balances - end of year	<u>\$ 207,048</u>	<u>\$ 135,526</u>	<u>\$ 27,638</u>	<u>\$ 370,212</u>

EVANGELINE TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	37,363
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of these assets is allocated over
their estimated useful lives as depreciation.

Expenditures for capital assets		1,191
Current year depreciation		(12,009)

The issuance of long-term debt (e.g. bonds) provides current financial
resources to governmental funds, while the repayment of the principal
of long-term debt uses current financial resources of governmental funds.
Neither transaction, however, has any effect on net assets.

Principal payments		40,488
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Interest on long-term debt is recognized as an expenditure when it is
due in the governmental funds. However, in the statement of activities,
interest expense is recognized as the interest accrues, regardless of
when it is due.

		<u>794</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>67,827</u></u>
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EVANGELINE TOWNSHIP
Statement of Fiduciary Net Assets
Fiduciary Fund
March 31, 2005

Agency Tax Fund

Assets

Cash

\$ 168

Liabilities

Due to other governmental units

\$ 168

EVANGELINE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under a Board-Supervisor form of government and provides the following services as authorized by common law: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by the Township of Evangeline:

REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by GASBS No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Township and included in the Township's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Township has no component units.

BASIC FINANCIAL STATEMENTS – OVERVIEW

The Evangeline Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. As a general rule the effect of interfund activity, such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS – CONTINUED

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental or business-type categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

Governmental Funds

The following is a description of the major governmental funds of the Township:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Road Fund – The Road Fund accounts for taxes levied for the purpose of local road construction and maintenance.

Special Assessment Debt Fund – The Special Assessment Debt Fund is used to record special assessment and interest revenue and for the payment of interest, principal and other expenses on long-term bonded debt issued to pay most of the Township's share of the West Michigan/Glenwood Beach Sanitary Sewer Project. Additionally, special assessment revenue has been collected for the Pine Hurst Shores Special Assessment.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS – CONTINUED

Fiduciary Funds

The fiduciary funds are used to account for assets held by the Township in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Agency funds use the accrual basis of accounting; however report only assets and liabilities.

Agency Fund – The Agency Fund accounts for the collection and payment of property tax levies.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

All agency funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED

Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the Statement of Net Assets in the government-wide financial statements. Capital assets are recorded by the Township when the initial individual costs are greater than \$1,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	20 years
Furniture and equipment	7 years
Land improvements	10 years

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COMPARATIVE DATA

Comparative data for the prior year is not included in the Township's financial statements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED

ACCOUNTING CHANGE

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Effective January 1, 2004, the Township implemented the provisions of GASBS No. 34. Changes to the Township's financial statements as a result of GASBS No. 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements with a focus on major funds.
- Capital assets in the governmental activities column of the Statement of Net Assets include assets which were previously reported in the General Fixed Asset Account Group.
- Liabilities in the governmental column of the Statement of Net Assets include bonds and other long-term obligations which were previously reported in the General Long-Term Debt Account Group.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all operating funds of the Township except for the agency funds. Budgetary control is legally maintained at the fund level.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A public hearing is conducted at Township Hall to obtain taxpayer comments.
2. The budgets are legally enacted through passage of an ordinance.
3. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year.
4. All appropriations lapse at year-end.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorized the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

Cash Deposits

At March 31, 2005, the carrying amount of the Township's deposits for both governmental activities and the fiduciary fund was \$400,479 and the bank balance was \$400,710.

Federal Depository Insurance

Of the above balance, \$100,000 was covered by federal depository insurance. The remaining amount was uninsured and uncollateralized. The Township may experience significant fluctuations in deposit balances through the year.

NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of December 1 on the State taxable valuation of property in the Township. The Township bills and collects its own property taxes and also collects taxes for other governmental units. Collection of other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property taxes are recognized as revenue in the year in which they are levied.

The Township is permitted by state law, subject to State Headlee and Truth in Taxation provisions, up to \$1 per \$1,000 of taxable valuation for general governmental services \$2 per \$1,000 voted millage for road repair and reconstruction and \$0.7 per \$1,000 voted millage for fire protection. Additionally, the Township is authorized to levy the amount necessary for the payment of principal and interest on general obligation long-term debt. The 2004 State taxable valuation of Evangeline Township totaled \$54,252,994.

The tax rates for the year ended March 31, 2005, were as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>	
General governmental services	0.9079	per \$1,000
Roads	2.0000	per \$1,000
Fire protection	0.6354	per \$1,000

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 5: CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Balance April 1, 2004	Additions	Deletions	Balance March 31, 2005
Governmental Activities				
Capital assets				
being depreciated:				
Buildings	65,425	-	-	65,425
Building improvements	89,138	-	-	89,138
Furniture and equipment	23,992	1,191	-	25,183
Land improvements	58,426	-	-	58,426
Subtotal	236,981	1,191	-	238,172
Accumulated depreciation:				
Buildings	29,442	1,636	-	31,078
Building improvements	50,447	4,457	-	54,904
Furniture and equipment	17,226	1,838	-	19,064
Land improvements	32,008	4,078	-	36,086
Subtotal	129,123	12,009	-	141,132
Governmental activities net capital assets	<u>\$ 107,858</u>	<u>\$ (10,818)</u>	<u>-</u>	<u>\$ 97,040</u>

Depreciation expense was charged as follows:

Governmental Activities

Unallocated \$ 12,009

NOTE 6: SPECIAL ASSESSMENTS RECEIVABLE

The Township had established a special assessment district to pay debt retirement costs of bonds issued and construction costs for its share of the Glenwood Beach Sanitary Sewer project; 37 parcels have each been assessed \$9,975 for a total of \$369,075. Principal payments of \$348,318 had been made as of March 31, 2005. The outstanding balance at March 31, 2005 was \$20,757.

Payments are to be made in 15 equal annual installments with interest at a rate not exceeding 1% above the average rate of interest borne by said bonds per annum on or before January 1 of each year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 6: SPECIAL ASSESSMENTS RECEIVABLE – CONTINUED

During the fiscal year ended March 31, 2003 the Township established another special assessment district to pay debt retirement costs and road construction costs for its share of the Pine Hurst Shores project; 26 parcels have been assessed, 18 frontage parcels at \$2,846 each and 8 non-frontage parcels at \$2,277 for a total of \$69,444. Principal payments of \$47,160 had been made as of March 31, 2005. The outstanding balance at March 31, 2003 was \$22,284.

Payments are to be made in 5 equal annual installments with no interest on or before December 1 each year. The final year's payments will be less as the actual project cost was less than estimated.

NOTE 7: LONG-TERM DEBT

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Bonds and notes payable:					
General obligation debt					
1992 Series	\$ 75,000	\$ -	\$ 25,000	\$ 50,000	\$ 25,000
Personal note	37,769	-	15,485	22,284	17,341
Total	<u>\$ 112,769</u>	<u>\$ -</u>	<u>\$ 40,485</u>	<u>\$ 72,284</u>	<u>\$ 42,341</u>

Long-term liabilities payable at March 31, 2005 is composed of the following individual issues:

\$360,000, 1992 Special Assessment Limited Tax General Obligation bonds due in annual installments of \$25,000 through April 1, 2006; interest at 6.50% to 6.60%.	\$50,000
\$53,392, 2002 Personal note due in annual amounts equal to Pine Hurst Shores Special Assessment taxes collected until the note is repaid; interest at 0%.	<u>22,284</u>
Total governmental activities long-term liabilities	<u>\$72,284</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 7: LONG-TERM DEBT – CONTINUED

The annual debt service requirements to maturity for bonds and notes outstanding as of March 31, 2005, are as follows:

Year Ending March 31	Principal	Interest	Total
2005	\$ 42,341	\$ 2,463	\$ 44,804
2006	29,943	825	30,768
Total	<u>\$ 72,284</u>	<u>\$ 3,288</u>	<u>\$ 75,572</u>

NOTE 8: RESERVED FUND BALANCE

Reserve for Fire Protection – The General Fund has \$31,543 reserved for fire protection.

Reserved for Debt Retirement – The Special Assessment Debt Fund has \$27,638 reserved for debt retirement, \$26,447 for the Glenwood Beach Special Assessment District and \$1,191 for the Pine Hurst Shores Special Assessment District.

NOTE 9: RISK MANAGEMENT

The Township carries commercial insurance for various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Settled claims have not exceeded coverage in any of the past three years.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

REQUIRED SUPPLEMENTARY INFORMATION

EVANGELINE TOWNSHIP
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
Beginning of year fund balance	\$ 184,008	\$ 184,008	\$ 184,008	\$ -
Resources (inflows)				
Property taxes	80,000	80,000	103,350	23,350
State revenues	40,000	40,000	54,703	14,703
Zoning fees	15,000	15,000	6,590	(8,410)
Interest and rentals	2,250	2,250	3,543	1,293
Other	-	-	1,550	1,550
Amounts available for appropriation	321,258	321,258	353,744	32,486
Charges to appropriations (outflows)				
General government:				
Board	2,800	2,800	2,600	(200)
Supervisor	6,850	6,850	6,913	63
Clerk	7,670	7,670	7,727	57
Board of review	500	500	270	(230)
Board of appeals	1,000	1,000	550	(450)
Treasurer	8,650	8,650	8,513	(137)
Assessor	13,000	13,000	11,240	(1,760)
Elections	1,500	1,500	728	(772)
Building and grounds	8,050	6,050	6,118	68
Legal and professional fees	4,500	8,700	12,656	3,956
Cemetery	4,500	4,500	3,872	(628)
Insurance	4,450	4,700	4,655	(45)
Dues and subscriptions	1,545	1,545	2,228	683
Office expense	3,500	1,500	1,663	163
Payroll taxes	2,250	2,250	2,245	(5)
Printing and publishing	2,000	2,000	320	(1,680)
Miscellaneous	2,000	1,450	1,378	(72)
Public safety:				
Fire protection	33,000	33,000	33,936	936
Public works:				
Roads	36,000	31,500	11,207	(20,293)
Health and Welfare:				
Ambulance services	3,300	3,300	675	(2,625)
Community and economic development:				
Planning board	5,000	5,000	3,050	(1,950)
Planner/zoning administrator	16,000	32,550	17,536	(15,014)
Zoning ordinance revision	15,000	15,000	2,335	(12,665)
Recreation and cultural:				
Parks	2,000	2,000	2,005	5
Capital outlay	18,500	7,000	2,276	(4,724)
Total charges to appropriations	203,565	204,015	146,696	(57,319)
Ending budgetary fund balance	\$ 117,693	\$ 117,243	\$ 207,048	\$ 89,805

See accompanying notes to the basic financial statements.

EVANGELINE TOWNSHIP
Budgetary Comparison Schedule
Road Fund
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Beginning of year fund balance	\$ 105,215	\$ 105,215	\$ 105,215	\$ -
Resources (inflows)				
Taxes	96,000	96,000	110,325	14,325
Interest	<u>400</u>	<u>400</u>	<u>1,038</u>	<u>638</u>
Amounts available for appropriation	201,615	201,615	216,578	14,963
Charges to appropriations (outflows)				
Public works				
Road construction, repair and maintenance	<u>94,000</u>	<u>94,000</u>	<u>81,052</u>	<u>(12,948)</u>
Ending Budgetary fund balance	<u>\$ 107,615</u>	<u>\$ 107,615</u>	<u>\$ 135,526</u>	<u>\$ 27,911</u>